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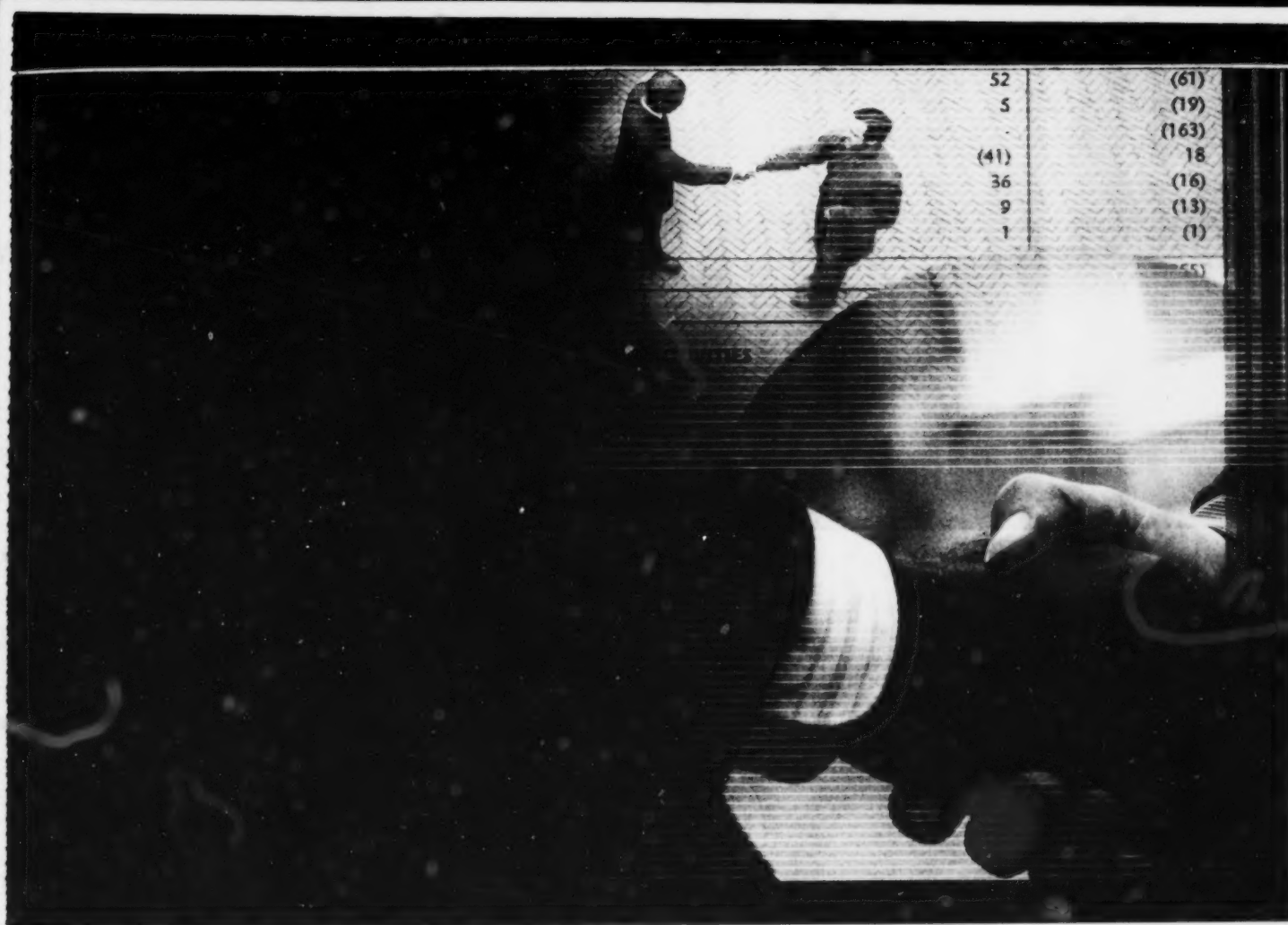
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Building Partnerships: Our Successes in 2003

Summary Annual Report



THE MANITOBA
SECURITIES
COMMISSION

Our Organization

The Commission is comprised of two operating divisions, the securities division and the real estate division.

The securities division is organized into six operational sections including: investigations; legal; registration; corporate finance and continuous disclosure; finance and administration; as well as education and information. This division is responsible for administering The Securities Act and The Commodity Futures Act.

The real estate division is responsible for administering The Real Estate Brokers Act and The Mortgage Dealers Act and, in general, the regulation of the real estate industry in Manitoba.

For Manitoba's investment market

Since 90 per cent of all securities are bought and sold in the secondary market, the Commission developed and implemented the Continuous Disclosure Review Program to provide complete and accurate information to investors on a continuous basis. The program includes reviewing information made public by businesses and mutual funds when securities reach the secondary market.

In addition to ongoing work with industry advisory groups and seminars for new salespeople, the Commission held industry sessions in Winnipeg, Brandon and Thompson. Communication with the dealer community helps ensure the Commission can provide effective regulation of markets.

By promoting sound business practices throughout the industry, the Commission helps build investor confidence by reducing the level of unnecessary risk. The Commission conducts compliance reviews of dealers on an ongoing basis, examines financial statements and performs compliance audits to identify areas where improvements can be made.

Especially for Manitoba investors

Earlier this year, the Commission's abilities to protect the interests of investors were enhanced with amendments to The Securities Act. Now an individual

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Earlier this year, the Commission's abilities to protect the interests of investors were enhanced with amendments to The Securities Act. Now an individual

who has lost money through illegal or improper activities involving the sale of securities can make a claim to the Commission. If the matter goes to a commission hearing and the claim is approved the Commission can order a re-payment of up to \$100,000. This is a first in Canada and gives the public an alternative to what can be costly and time-consuming civil court processes.

Nationally speaking

The National Registration Database (NRD) is part of a streamlined and efficient securities regulatory system in place throughout Canada. The NRD allows firms and individuals to register in Manitoba and throughout Canada (except Quebec) at a single secure Internet site.

One of the criticisms of the present securities commission system is the inconsistency of legislation in each jurisdiction. Along with other securities regulators

throughout Canada, the Commission is developing uniform securities legislation. A comment paper was published in January 2003. The Commission expects to have legislation ready for consideration by each provincial and territorial government in the fall of 2003.

When the Commission issues an order requiring a public company to stop trading its securities, it's critical for both dealers and the public to have that information. The Commission and other Canadian securities regulators recently established a national cease trade order database that makes information about cease trade orders available to all.

Investigation continues

Prime bank frauds, pension plan scams and affinity fraud continue to be targeted at all segments of the public. Effective investigation and enforcement of securities regulations is necessary to protect individuals from these unlawful practices. Last year the Commission received 134 general investigation and enforcement inquiries. The number of Commission hearings and court prosecutions for securities violations continues to be significant.

New at the Commission

Rocky L. Pollack and Kathleen E. Hughes
are the newest members of the Commission, ensuring a continued high level of expertise and professionalism throughout the group. The Commission also appreciates the commitment of Elmer O. E. Bergman and Melvin S. Fages who retired after 13 and 6 years of service respectively.

Real estate continuing education

In addition to administering 20 examinations during the year, Commission staff presented a portion of the continuing education program offered by the Manitoba Real Estate Association.



Educational opportunities abound

The Commission's education department spearheaded a national investor education youth initiative, focusing on developing a piece for the CBC youth advocacy program Street Cents. A four-minute segment on investing and the Internet aired, and was then followed with an online chat with investigators from Commissions across the country. The investigators addressed youth concerns about investing online.

Locally, Commission staff partnered with Junior Achievement to deliver the Personal Economics course to three local school classes. Students at Windsor Park Collegiate, Ecole Viscount Alexander and Elmwood High School learned about budgeting, setting financial goals, saving, understanding of investment products and investing.

Throughout the year, the education department also worked with the Consumers Bureau, the RCMP, Manitoba Teachers' Special Area Groups and seniors' organizations. Staff attended consumer shows to deliver cautionary messages on investment scams and provide educational material on saving and investing.

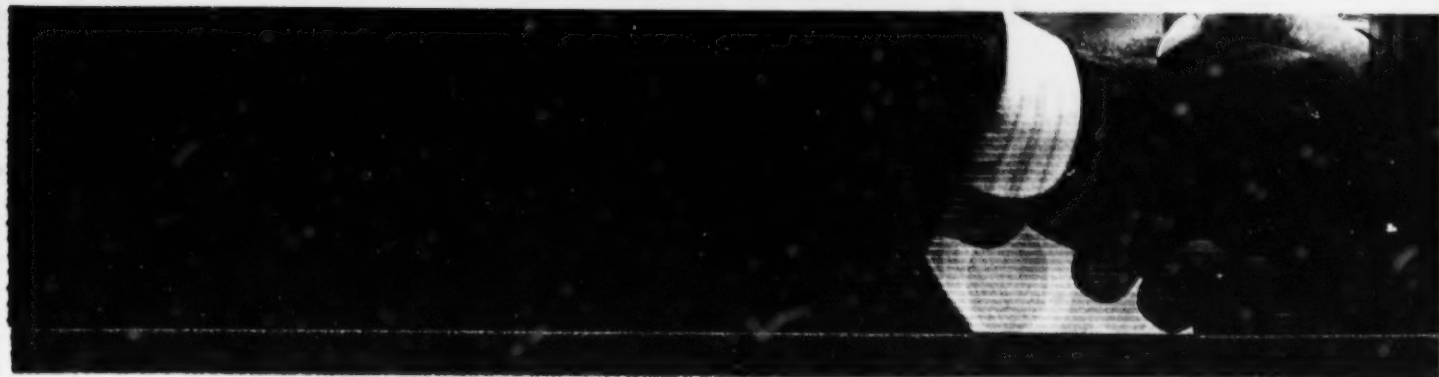
The education department also worked with other regulatory organizations to educate industry participants on best practices and offer updates at both the local and national levels.

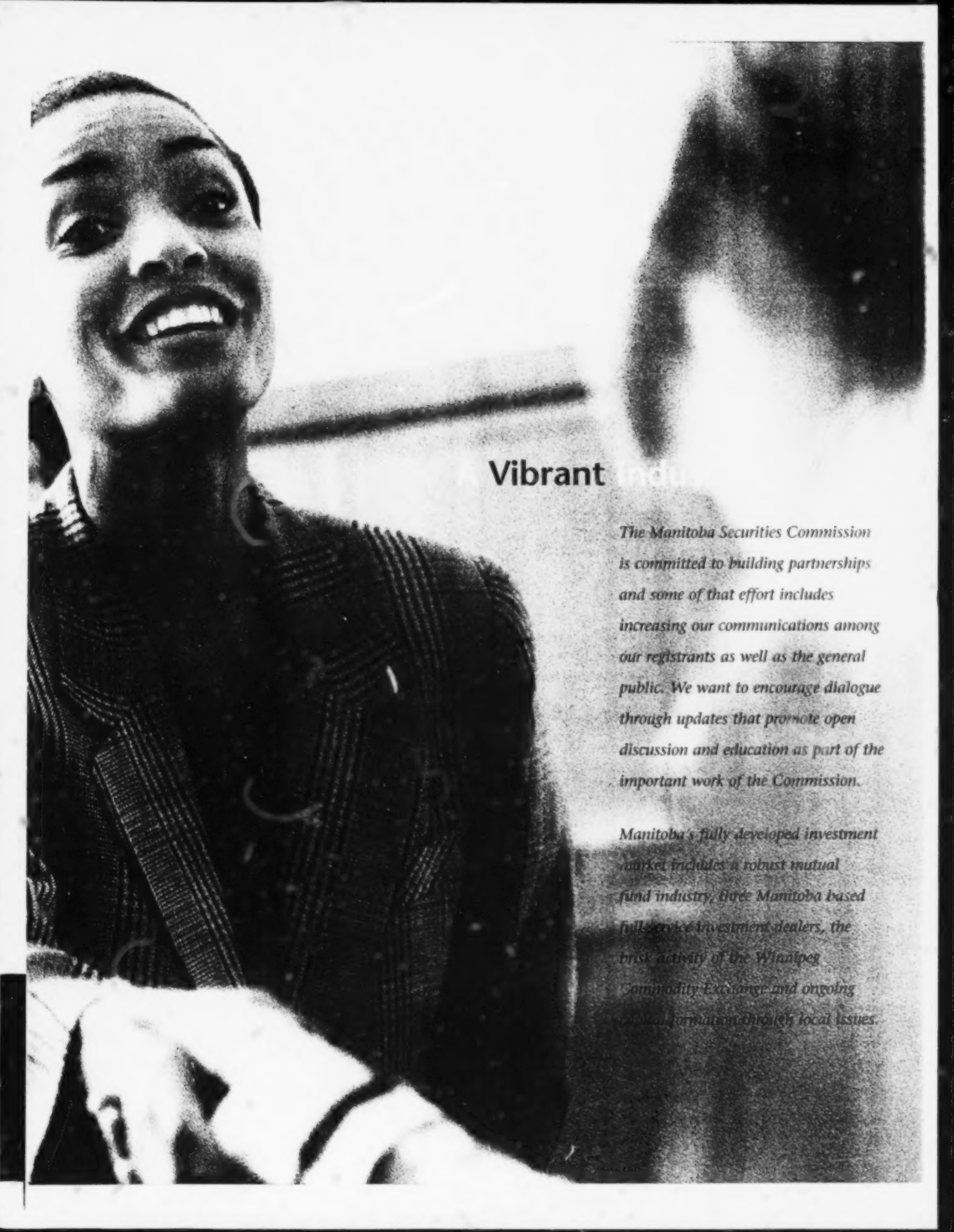
From the real estate division

Bill Baluk, former real estate auditor and investigator, assumed the role of Registrar last year. In his new role, he is the primary contact for both the real estate industry and the public. Bill took over from **Jim Storsley** who retired after a 28-year career with government.

Let us know

We are dedicated to building partnerships with our registrants, increasing our communications with the general public and providing ongoing investor education. Your comments and suggestions are invaluable in helping us meet these goals. Please let us know what you think by emailing us at securities@gov.mb.ca or calling 945-2548.

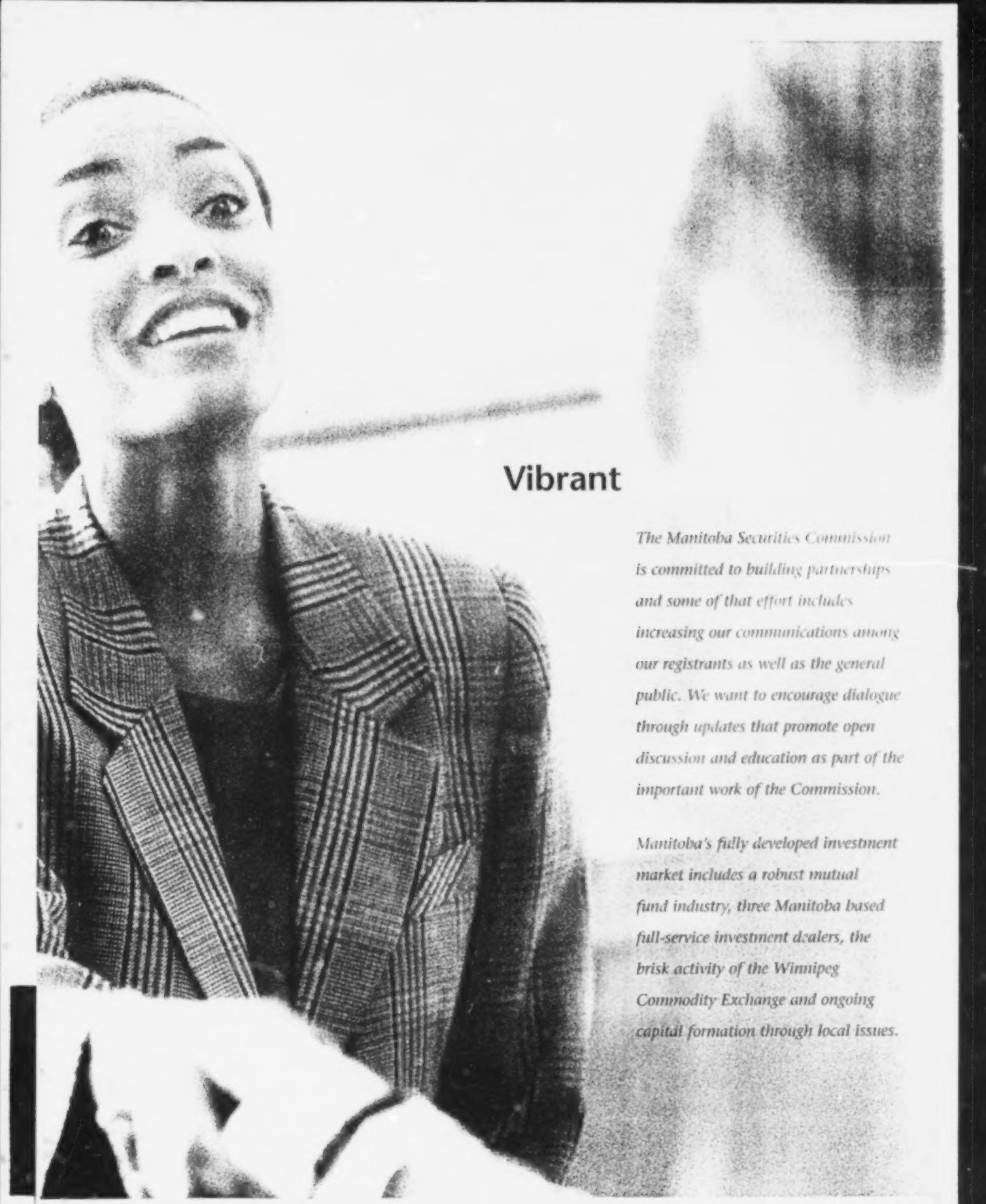




Vibrant industry

The Manitoba Securities Commission is committed to building partnerships and some of that effort includes increasing our communications among our registrants as well as the general public. We want to encourage dialogue through updates that promote open discussion and education as part of the important work of the Commission.

Manitoba's fully developed investment market includes a robust mutual fund industry, three Manitoba based full-service investment dealers, the brisk activity of the Winnipeg Commodity Exchange and ongoing capital formation through local issues.



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COMMISSION

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2003 Annual Report



THE MANITOBA
SECURITIES
COMMISSION

Table of Contents

Mission and Mandate	1
Letters of Transmittal	2
Report from the Chair	4
Part I - Commission Overview	8
Part III - Securities	14
Part II - Real Estate	24
Part IV - Information Technology	27
Part V - Financial Discussion	28
Responsibility for Financial Reporting	31
Audited Financial Statements	32

Mission

The mission of The Manitoba Securities Commission is to protect and promote the public interest by facilitating dynamic and competitive capital and real estate markets that contribute to the economic development of Manitoba while fostering public confidence in those markets.

Mandate

The mandate of the Commission is to act in the public interest to protect Manitoba investors and to facilitate the raising of capital while maintaining fairness and integrity in the securities marketplace. Similarly, its real estate industry mandate is to regulate brokers, salespeople and mortgage dealers to ensure adequate standards are maintained for the protection of the public.

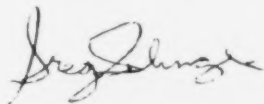
LETTERS OF TRANSMITTAL

The Honourable Peter M. Liba, C.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

May it please your honour:

I have the privilege of presenting for the information of Your Honour the fourth annual report of The Manitoba Securities Commission for the fiscal year ended March 31, 2003.

Respectfully submitted,



Honourable Gregory Selinger
Minister



The Honourable Gregory Selinger
Minister of Finance
Room 103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Mr. Minister:

I have the honour to submit for your consideration the fourth annual report of The Manitoba Securities Commission for the fiscal year ended March 31, 2003.

Respectfully submitted,



Donald G. Murray
Chair, The Manitoba Securities Commission



National Initiatives

Throughout fiscal year 2002/03, we witnessed more of the continuous changes and developments affecting capital markets and regulation. Investor confidence remained an issue in the aftermath of the corporate scandals in the United States. The implementation in that country of Sarbanes-Oxley resulted in Canadian regulators struggling to come to grips with the correct level of response in this country.

At the same time, the debate over securities regulation in Canada has re-emerged. The Wise Persons Committee, appointed by the federal government, commenced its activities during the fiscal year with an anticipated report date of November 30, 2003. The work of the Committee of Provincial/Territorial Ministers responsible for securities regulation is also underway, with an action plan targeted for release in October, 2003.

Meanwhile, the work of the Canadian Securities Administrators (CSA) on the development of the Uniform Securities Legislation (USL) continued in 2002/03 with a Blueprint for uniform securities legislation being published for comment in January 2004. The plan is for a final draft of the USL to be published this fall, with the draft legislation being ready for consideration by provincial/territorial legislatures in 2004.

Ongoing efforts also continue within the CSA to streamline the regulatory system. The National Registration Database (NRD) became operational on March 31, 2003, while work continued on the harmonization and reduction of registration categories as well as a system for multi-jurisdictional registration from the principal jurisdiction.

After considerable remedial work, System for Electronic Disclosure by Insiders (SEDI) was ready to be re-launched as the fiscal year drew to a close, while in February 2003, a Cease Trade Order database was implemented by the CSA. Also, as a means of modernizing corporate reporting and disclosure, several CSA jurisdictions, including Manitoba, implemented a Continuous Disclosure Review Program.

The CSA continues to take steps to construct across the country a system of uniform, streamlined regulation with true one-stop shopping for registration and market access. If adopted, the USL will represent a major milestone in the journey.

Local Initiatives

The Commission's ongoing programs continued and were expanded during the fiscal year. In addition, new programs were initiated. The revolving compliance audits of registrants continued and included mutual fund dealers, portfolio managers and scholarship plan dealers.

The Commission Education/Information Program has continued to expand. Joint industry events again were held in Winnipeg and Brandon and were a success, while new education materials and presentations were developed for the public.

Of particular importance in fiscal year 2002/03, a new strategic planning and performance measurement program was implemented by the Commission, based on the balanced scorecard method. A template was developed setting out goals, actions and measures and was completed for each operational area through the efforts and co-operation of all Commission staff members. The final document formed the basis for much of the Commission's activities during 2002/03. The planning period for the balanced scorecard ends on March 31 each year with the final report due for completion on April 30.

Legislative Developments

During the fiscal year amendments to The Securities Act were passed granting the Commission the authority to order financial compensation to an aggrieved investor, at a Commission hearing, to a maximum of \$100,000. This legislative initiative is intended to provide additional protection to the average Manitoba investor.

Real Estate

The real estate division performs a similar role to the securities division in the regulation of the real estate industry, performing the functions of registration, compliance review, investigation and enforcement and policy development. The Registrar and his staff also continue to partner with the industry in the development of industry association rules, policies, educational courses and new initiatives.

Real estate division staff continued to cooperate with the Manitoba Real Estate Association in the development and presentation of the Mandatory Continuing Education program for industry practitioners that was introduced in April 2001. The program, intended to assist industry practitioners in maintaining and improving their skills and knowledge, continues to be an unqualified success.

At the end of fiscal year 2002/03, Jim Storsley, the Commission's first Real Estate Registrar, retired after an illustrious 28-year career. Jim developed the position of Registrar and oversaw the organization of the real estate section and the implementation of its programs. He also built a strong relationship with the industry that will continue to serve the Commission well for years to come. His contribution was significant and he will be missed. At the same time, the Commission has been fortunate that as of March 31, 2003, Bill Baluk, formerly the Auditor/Investigator in the real estate section has accepted the position of Registrar. Bill's knowledge of and relationship with the industry will allow for a smooth transition.

Sustainable Development

The Sustainable Development Act was enacted for the purpose of promoting and implementing sustainable development in the provincial public sector, private industry and society in general. Principles and guidelines have been developed to assist departments and agencies in instituting objectives, integrating them into operations and reporting on their development. The Commission remains committed to sustainable development.

Operating in an office environment, the Commission procures a variety of recycled items including paper products and various other office materials. The Commission will set goals and objectives toward sustainable development procurement and financial management. Through training and education, the Commission intends to continue to develop a sustainable development process that is continuous and balanced.

Acknowledgements

Once again the Commission recognizes the important contributions to its work made by the members of the three advisory groups (noted on pages 12 and 13) that volunteer their time to both divisions of the operation. Their input and advice is instrumental in allowing the Commission to fulfill its mandate.

The Commission saw the retirement of two of its long term Commissioners during fiscal year 2002/03. The retiring members were Elmer E.O. Bergman, a member of the Commission for 13 years and Melvin S. Fages, a Commission member for six years. The contributions of these individuals over the years to the Commission's work has been greatly appreciated. New Commissioners appointed in 2002/03, Rocky L. Pollack and Kathleen E. Hughes, have brought to the Commission a wealth of experience and ability that have already benefited the MSC and will continue to be assets throughout their terms.

It seems that I recognize the efforts of Commission staff at the end of this report each year. It is not because their contributions are the least important. Quite the contrary. Whether it be through work on CSA or local initiatives, in their daily contact with public and industry or in the development and implementation of our strategic planning and performance measurement system, the efforts of Commission staff have been undertaken in an effective and professional manner. The Manitoba Securities Commission is truly fortunate to have such knowledgeable and dedicated staff members.



Donald G. Murray
Chair, The Manitoba Securities Commission

The Manitoba Securities Commission (the Commission) is responsible for administering and enforcing The Securities Act, The Commodity Futures Act, The Real Estate Brokers Act and The Mortgage Dealers Act. The Commission was structured in its present form in 1968. The Commission became a Special Operating Agency on April 1, 1999.

A reference to the Commission can mean either of two distinct yet connected bodies. These are:

The administrative or functional arm which is made up of full-time employees who conduct the day-to-day operations; and

The policy-making group made up of a maximum of seven order-in-council appointees who meet regularly (the Commission members).

Administrative Arm

The administrative arm of the Commission is comprised of two operating divisions, the securities division and the real estate division consisting of 34 full-time staff.

Securities Division

The securities division is organized into the following six operational sections:

Investigations

There are four staff in this section including three investigators and one administrative support position. The investigation section receives inquiries and complaints, conducts investigations and assists legal staff in the preparation of matters for hearings. The members of the investigation section report to the Director of Legal and Enforcement, Registrations and Secretary to the Commission.

Legal

The legal section is comprised of three lawyers and two administrative support staff. The legal section provides legal advice to the Commission members and all other functional sections of the Commission, takes part in policy development and the creation of

educational materials, presents applications to Commission meetings and prepares and argues enforcement cases at Commission hearings and in court. The members of the legal section report to the Director of Legal and Enforcement, Registrations and Secretary to the Commission.

Registration

The registration section is made up of four staff members including the Registration Officer and three full-time registration clerks. During fiscal year 2002/03 there were also two additional term positions added to the section. Term staff assisted in the preparatory work for adapting the Commission's registration system to the National Registration Database (NRD). This section is responsible for the registration of firms and individuals operating in the investment markets in Manitoba. The members of the registration section report to the Director of Legal and Enforcement, Registrations and Secretary to the Commission.

Corporate Finance and Continuous Disclosure

There are five staff members in this section including a senior analyst, analyst, administrative assistant, corporate finance clerk and continuous disclosure clerk. The analysts are professional accountants. This section reviews offering documents and applications as well as required continuous corporate disclosure and takes part in policy development and presentations to the Commission meetings. Staff in this section report to the Director of Corporate Finance and Chief Administrative Officer, who is also a professional accountant.

Finance and Administration

There are three staff members assigned to this section including the controller (a professional accountant), an accounting clerk and a receptionist. A fourth position was vacant during 2002/03. This section, in consultation with management, prepares the Commission's budgets and financial reports and develops and implements office and personnel policies. Staff in this section report to the Director of Corporate Finance and Chief Administrative Officer.

Education/Information

The Education/Information Officer is the sole staff member assigned to this section. This individual, who has a degree in education, is responsible for the development and implementation of educational programs for the general public and industry. The Education/Information Officer reports to the Chair.

Additional Staff

There are two additional staff positions in the securities division including the Assistant to the Chair and the Compliance Officer. The Compliance Officer is an auditor who is responsible for conducting compliance audits of the industry and also assists in the investigation function of the Commission. This staff member reports to both Directors.

Real Estate Division

The real estate division is made up of the Registrar, Deputy Registrar, Auditor/Investigator and two administrative support positions. The real estate division is responsible for the administration of The Real Estate Brokers Act and The Mortgage Dealers Act and, in general, the regulation of the real estate industry in the Province of Manitoba. Employees in this section report to the Registrar.

Management

Both Directors of the securities division and the Registrar of real estate report directly to the Chair, who is the Chief Executive Officer of the Commission. This group comprises the senior management team. In addition there is an extended management committee that has membership from all operational areas.

Commission Members

In addition to the Chair there are six part-time Commission members. The Commission meets regularly (usually weekly) to deal with policy and regulatory formulation, applications seeking exemptions from the requirements of regulation, and to consider whether it is in the public interest to grant various types of orders authorized by legislation. Commission members also perform a quasi-judicial function by sitting as adjudicators in Commission hearings. The Chair presides at meetings of the Commission.

The Chair of the Commission reports to the legislature through the office of the Minister of Finance.

During 2002/03 the Commission members were:

Donald G. Murray (Chair)

Appointed to the Commission in 1993, Murray spent 20 years in the private practice of law. In 1994, he was appointed Vice Chairman and became Chairman in 1997. As Chair and CEO, Murray represents the Commission on national and international securities organizations.

Elmer O. E. Bergman

Appointed to the Commission in 1990, Bergman has a Bachelor of Commerce and Chartered Accountant designation. He retired from KPMG as a partner of the firm. Prior to KPMG, Bergman was the office-managing partner in Winnipeg with Thorne Ernst & Whinney. Bergman was active in the securities area and also acted as an advisor for utility ratemaking for the Public Utilities Board. Bergman's term expired in August 2002.

W. John A. Bulman C.M.

Appointed to the Commission in 1994, Bulman spent most of his business career in the printing industry. He is an active community leader especially with health and education groups. He has been Chancellor Emeritus of the University of Winnipeg and a council member of the Royal College of Physicians and Surgeons. Bulman was appointed to the Order of Canada in 1999.

Melvin S. Fages

Appointed to the Commission in 1997, upon retiring from Deloitte & Touche, Chartered Accountants. Fages received his F.C.A. designation in 1997. Currently, he is the Vice-President of the Long Term Care Association of Manitoba and Board Member of the Jewish Foundation of Manitoba. Fages term expired in August 2002.

Ken S. Kristjanson

Appointed to the Commission in March 1999, Kristjanson has 40 years experience in the financial services industry, the last 30 years being spent as a full-service broker. He retired from Richardson Greenshields where he held the position of Vice-President. He is Vice-Chairman of the Canada-Iceland Foundation.

Lynne M. McCarthy

Appointed to the Commission in 1994, McCarthy has a Master of Business Administration degree from the University of Western Ontario and the Chartered Financial Analyst designation. McCarthy has over 20 years of experience in institutional investing.

Robert G. McEwen

Appointed to the Commission in 1992, McEwen is a retired chartered accountant and was a Deputy Director of the Commission.

Rocky L. Pollack, Q.C.

Appointed to the Commission in 2003, Pollack is a partner in the Winnipeg law firm of Myers Weinberg practicing criminal trial and appellate law as well as education and professional governance law. A past president of the Manitoba Bar Association, Pollack is a Law Society of Manitoba life bencher and a Fellow of the International Society of Barristers. He is vice-president of Congregation Shaarey Zedek and a board member of The Jewish Foundation of Manitoba.

Kathleen E. Hughes

Appointed to the Commission in 2003, Hughes is the Legal Information Services Coordinator for the Manitoba Law Libraries Inc. She was a member of The Manitoba Securities Commission from 1975 to 1981.

Advisory Groups

Securities Advisory Committee

The Committee was established by the Chair of the Commission to meet when required to provide advice on regulatory matters. The Committee has provided advice on new policy initiatives developed by the Commission. The Committee has also been called upon to advise on changes within the industry and how the Commission can best deal with those changes.

Dave Cheop, *Investors Group Inc.*

Ken Cooper, *formerly Winnipeg Stock Exchange*

Linda Vincent, *Winnipeg Commodity Exchange*

Alan Dunnett, *RBC Investments/Investment Dealers Association*

Mike Guttormson, *Atkins Macandlay & Thorvaldson*

Bruce Jack, *Deloitte & Touche*

Tom Kornylo, *Pitblado*

Tony Catanese, *PricewaterhouseCoopers*

Greg Bieber, *Bieber Securities Inc./Investment Dealers Association*

Ron Coke, *Taylor McCaffrey*

Patrick Cooney, *Jory Capital Inc.*

Tom Rice, *Rice Financial Group Inc. (Alternate)*

Bruce Thompson, *Thompson Dorfman Sweatman (Alternate)*

Real Estate Advisory Council

The Real Estate Advisory Council is a non-statutory advisory body established by the Commission and The Manitoba Real Estate Association (MREA). The mandate of the Council is to advise and make recommendations to the Commission and MREA on real estate issues; to review mutually beneficial ideas, policies or legislative reform; and give early warning or advance notice to the Commission of trends or developments arising in the real estate industry.

Brian Collie, Executive Director, *The Manitoba Real Estate Association*

Guy Hobman, Broker, *representing The Manitoba Home Builders' Association*

Brian Baker, Salesperson, *Royal LePage Martin Liberty Realty Ltd.*

Bill Baluk, Registrar, *The Manitoba Securities Commission*

Claude Davis, Broker, *Royal LePage Dynamic Real Estate*

Cliff King, Broker, *Century 21 Bachman & Associates*

Roy Fondse, Salesperson, *Re/Max Real Estate Inc.*

Robert Schaer, Broker, *representing the Professional Property Managers' Association*

Robert L. Tyler, Solicitor, *representing The Manitoba Bar Association*

Brad Walker, *Chair, Broker, Gill & Schmall Agencies, Neepawa*

Real Estate Advisory Committee

The Real Estate Advisory Committee was established by the Real Estate Advisory Committee Regulation (Manitoba Regulation 593/88) under The Real Estate Brokers Act.

The Committee reviews and recommends projects to the Commission for funding from the interest that the Commission receives from real estate brokers' trust accounts.

W.G. Burns, Chairman, *Broker, Royal LePage Real Estate Services*

John Froese, Broker, *Royal LePage Prime*

Florence M. Zawadsky, *Broker, Martin Liberty Realty, Brandon*

Ute Vann, Salesperson, *Royal LePage Reliance Real Estate*

Robert B. Giesbrecht, *Solicitor, public representative*

Overview

The operational sections of the Commission work in seven functional areas. They are:

Registration
Corporate Finance and Continuous Disclosure
Private Placement and Exempt Offerings
Exemption Orders
Legislation and Policy Development
Investigation and Enforcement
Education and Information

Each functional area carries unique duties and responsibilities the performance of which requires a high degree of co-operation and co-ordination among the operational sections.

Registration

The Registration section reviews and determines whether it is in the public interest to register a person or company to trade or advise in securities or commodity exchange contracts. Applicants for registration must meet educational requirements, individuals must be supervised and companies must meet capital requirements.

New and renewed registrations, together with registration changes from mergers and acquisitions, have resulted in continued significant activity. During the period there were 6,547 registrations issued under The Securities Act.

To handle the numbers of registrations more effectively, the Commission adopted in December 2001 the Expedited Renewal Process. This allows for registration renewals where there were no changes, as opposed to completion and review of registration forms. This has been well received by the industry and allows for increased efficiency within the registration section.

Compliance Examination

The registration section also performs an ongoing compliance function to ensure that the continued registration of persons and companies is in the public interest. The Commission monitors the conduct and solvency of registrants to insure compliance with legislation, rules and policies. This is done through the review of financial reports submitted by registrants.

and by performing compliance examinations of registrants. The focus of these examinations is on Manitoba-based mutual fund dealers, investment counsel and portfolio managers. During the fiscal period, two examinations of mutual fund dealers and three examinations of scholarship plan dealers and portfolio managers were performed.

National Registration Database

The National Registration Database (NRD) became operational on March 31, 2003. NRD permits individuals to apply for registration to one or more jurisdictions by way of a single electronic application. Transitional issues relating to the implementation of NRD will continue to be resolved in 2003/04.

Registrations under The Commodity Futures Act

The Commission registers all dealers, advisors and salespeople who trade on exchanges in commodity futures contracts and options in Manitoba. During 2002/03 there were 90 registrations under The Commodity Futures Act.

Corporate Finance and Continuous Disclosure

Commission staff review prospectus filings and rights offerings to ensure that they contain full, true and plain disclosure of all material facts that are necessary to make an informed investment decision. Multijurisdictional offering documents are reviewed in accordance with the Mutual Reliance Review System for Prospectuses and Annual Information Forms. The system is efficient in that the issuer only deals with the principal regulator and receives one receipt with respect to the offering.

Public companies are required to file continuous disclosure materials such as financial statements, material change reports, proxy materials and annual information forms with the Commission. Also, insiders of public companies are required to file insider-trading reports with the Commission. The Commission monitors these filings, and as noted below, has begun to review continuous disclosure filings on an ongoing basis.

Both prospectus and continuous disclosure filing activity remain at a high level.

FILINGS PROCESSED

	Prospectus**	Prospectus Amendments	Annual Information Forms	Rights Offerings	Take-Over Bid Circulars
2000/2001	668	207	591	18	114
2001/2002	710	179	480	19	71
2002/2003	588	321	553	13	56

** Prospectus documents filed - A single prospectus filing may contain multiple issues (i.e.: a single mutual fund prospectus could contain as many as 100 funds).

Continuous Disclosure Review Program

Matters of a national scope continued to be an emphasis for the Commission. In addition to the continued fine tuning of the Mutual Reliance Review System for Prospectus and Annual Information Forms, the Commission is participating in the development of a national program to review continuous disclosure material filed by public companies. Continuous disclosure is expected to provide better and timelier information to investors and regulators. This new focus on continuous disclosure reflects the fact that over 90 per cent of all trades take place in the secondary market.

Commission staff developed and implemented a Continuous Disclosure Review Program. The quality and timeliness of information disclosed to capital markets by reporting issuers has always been of interest to the Commission. In order to better focus attention and resources on this area, the Corporate Finance Section is now responsible for the ongoing review of continuous disclosure filings made by reporting issuers. Manitoba joins the Commissions of Ontario, British Columbia and Alberta in having Continuous Disclosure Review Programs in operation. Only Manitoba and Ontario include mutual fund issuers in their respective Continuous Disclosure Review Programs.

SEDAR

The System for Electronic Document Analysis and Retrieval (SEDAR) has been used since January 1, 1997 to electronically file securities-related information with the Commission and other CSA jurisdictions. SEDAR allows documents to be filed with all regulators simultaneously and provides for secure electronic communication between filers and regulators. With the Web site www.SEDAR.com, information is available to anyone with Internet access.

National CTO Database

Corporate Finance staff, along with staff of some other CSA jurisdictions, developed and implemented a national Cease Trade Order (CTO) database that was implemented in February 2003. This database allows the members of the public and industry participants easy access to information relating to Cease Trade Orders issued by securities regulatory authorities in Canada.

SEDI

The CSA continued to develop the System for Electronic Disclosure by Insiders (SEDI). SEDI is a national insider-reporting database that will be re-launched early in 2003/04. SEDI will provide easy public access to insider reporting information and will allow Corporate Finance staff to effectively monitor insider-reporting activity for the first time.

Private Placement and Exempt Offerings

The Commission recognizes the benefit to the Manitoba economy and the public in providing an environment that encourages the development of business and the need of those businesses to raise capital. Where the size of the business or the amount of capital to be raised does not warrant the use of a prospectus, securities regulation provides ways to assist businesses and make new offerings of securities available to Manitobans.

The Act, regulations and rules provide exemptions from the requirement to use a prospectus and the requirement to trade in securities through someone registered under The Securities Act. They are based on the nature of the security sold, the dollar amount of the purchase, as well as the knowledge of the purchaser. Limited offering exemptions are based on an offering of securities being made to a limited, identifiable group of purchasers, and are used by new businesses that need capital to establish operations. Purchasers of securities in limited offering exemptions either have knowledge of the business they are investing in or are required to seek independent advice with respect to the investment prior to purchase.

During 2002/03 the Commission published a new rule for exempt offerings. This rule is expected to be in effect in all Canadian Jurisdictions except Ontario and Quebec. The new rule will come into effect in 2003.

The Commission believes this new rule will benefit issuers by allowing for multijurisdictional offerings of securities. The rule is also expected to increase the number of offerings made to Manitoba investors.

Exemptions and Orders

Exemption Applications

Applications are made to the Commission for exemptions from regulatory requirements in situations where the granting of an order is not contrary to the public interest. The Commission deals with national and local applications.

National and Regional Applications

The Commission processes national and regional applications through the Mutual Reliance Review Systems for Exemptive Relief Applications, which allows for an application to be processed in several or all Canadian jurisdictions with a single Decision Document. The efficiency of the system benefits both issuers and the investing public and results in a wider range of product being offered in Manitoba.

Manitoba Applications

Applications for exemptions from regulatory requirements by Manitoba companies and issuers include exemptions from requirements when Manitoba legislation differs from one or more of the other Canadian jurisdictions, as well as applications required to facilitate capital raising projects within the province.

The Commission continues to support local community-based projects requiring capital. While the Commission does not create business plans or proposals for local projects, staff work with applicants to ensure that each group has the tools required to raise capital in a manner that does not compromise the investor protection objectives of securities regulation.

During the past year the Commission has granted orders for both rural and urban based developments including projects for construction of commercial ventures such as hotels and the creation of a business development fund.

Activity in the number of applications seeking exemptions from securities laws remains high.

The total number of orders issued under The Securities Act for fiscal year 2002/03 are:

ORDERS ISSUED	2002/2003	2001/2002	2000/2001
Exemption Orders	189	274	356
Take-Over Bid Orders	20	36	114
Inside Reporting Orders	19	20	40
Financial Reporting Orders	50	48	35
Cease Trade Orders*	90	124	64
Miscellaneous Orders	43	39	11

* Cease Trade Orders include both permanent and temporary orders.

Legislation and Policy Development

The development of the regulatory system is an ongoing process. Changes in products, market participants and technology have created a need to review existing regulations to determine when and if changes or new regulatory requirements are needed. It is important to ensure that any new or revised requirements do not inadvertently create barriers to market activity in Manitoba.

Legislation

Amendments to The Securities Act were proclaimed on February 1, 2003 to give the Commission authority to make orders of compensation of up to \$100,000 per claim to aggrieved investors at Commission hearings. The Commission believes that this authority, the first of its kind in Canada, provides a powerful tool for investor protection.

On a national scope, the Commission is represented on the CSA Steering Committee for development of uniform securities legislation that is to be completed during 2003. The Report of the Committee (Blueprint), released in January 2003, provides a framework for strengthened securities regulation through uniform regulations across Canada.

Policy

On a local basis, the Commission continues to strive for policy development to benefit investors and maintain fairness in the marketplace. On a national basis, the Commission continues to work with other CSA jurisdictions on the development of a governance regime for mutual funds, a new point of sale document for mutual funds, harmonized continuous disclosure rules and an integrated disclosure system for public companies.

National policy developments take place through CSA staff committees. The Commission was represented in 2002/03 on the following CSA Committees:

<i>Capital Markets</i>	<i>Take-over bids</i>	<i>Legislative Coordination</i>
<i>Enforcement</i>	<i>MRRS Applications</i>	<i>Committee</i>
<i>Executive Directors</i>	<i>MRRS for Continuous</i>	<i>National Registration</i>
<i>Investor Education</i>	<i>Disclosure Review</i>	<i>Data Base</i>
<i>Financial Planning</i>	<i>MRRS for Prospectus Filings</i>	<i>Long Form Prospectus</i>
<i>Mutual Funds</i>	<i>Integrated Disclosure System</i>	<i>Committee</i>
<i>SEDAR Working Group</i>	<i>Exchange Oversight</i>	

Rules

The Commission has the legislative authority to enact rules that have the same force and effect as regulations under the legislation. In fiscal year 2002/03 as in prior years, the bulk of the rules enacted by the Commission were national instruments representing rules implemented on a Canada wide basis. The Commission enacted seven rules during the period.

Legislative and policy matters and rules that were published for comment or adopted by the Commission during the past year are posted on the Commission's Web site at www.msc.gov.mb.ca.

Investigation and Enforcement

Staff of the Commission investigate complaints and inquiries from the public. A complaint may relate to the conduct of a person or company registered to trade in securities or may relate to trading activities of people not registered to trade securities in Manitoba. Complaints may also involve securities products that may or may not have been approved for trading in Manitoba.

As with any investigative agency, Commission staff must review all complaints received both on the basis of potential harm to the markets generally, and on the basis there may have been harm caused to an individual.

Many complaints can be resolved informally. Where a complaint is isolated in nature or relates to a service issue, Commission staff will in many cases facilitate resolution of the complaint by speaking with both the securities firm and the client. In some cases, matters that relate to the conduct of a registrant are referred to a self-regulatory organization such as the Investment Dealers Association of Canada for investigation and resolution.

During the fiscal year 2002/03 general inquiries and complaints to the Commission continued to be high. The number of complaints received relating to fraudulent schemes such as prime bank instruments and pension plan loans are significant. The scams, together with other more recent types of illegal activity, such as affinity frauds, continue to target young and old, rich and poor. These fraudulent schemes have become a focal point in the Commission's public education initiative.

The Commission received 134 general investigation and enforcement inquiries. In addition, 114 investigation files were opened.

The 2002/03 fiscal year was the first year the Commission had the authority to assess administrative penalties. During the period the Commission ordered approximately \$67,000 to be paid in penalties and settlements. The Commission believes the authority to assess administrative penalties is an effective tool for investor protection.

The Hearing Process

Investigation orders are issued by a panel of the Commission. Once an investigation begins, Commission staff gather evidence through witness interviews and by obtaining documents. In situations where this evidence cannot be gathered voluntarily, the Commission can issue an order to produce evidence during an investigation.

After a complaint has been investigated a determination is made whether there is sufficient evidence to justify holding a hearing before the Commission or to conduct a prosecution in court.

The Commission conducts hearings to determine whether it is in the public interest to suspend the registration of a person or company. Hearings are also held in situations where the conduct of a person or company that is not registered poses a risk to the public. In this situation an order can be issued to deny the person or company the right to conduct an offering of securities without using the services of a registrant and filing a prospectus.

Staff of the Commission also act as Crown prosecutors in court for matters involving possible violations of a statute administered by the Commission. These cases are prosecuted in provincial court and can result in fines or imprisonment if the accused is found guilty.

Details of pending and completed Commission hearings and prosecutions are provided on the Commission's web site under the heading Investigation & Enforcement.

There were 16 investigation orders issued by the Commission in 2002/03.

Investor Alert

The Commission will issue an investor alert in situations where it is considered necessary to warn the public about activities that are illegal or that pose a risk to the public. Depending on the urgency of the situation an investor alert may be issued even though there has not been sufficient time to assemble evidence required to commence a Commission hearing or court prosecution. These alerts are issued through media outlets and posted on the Commission Web site. They are issued throughout Manitoba, but in some cases have been targeted to specific areas in the province where the improper activities are occurring.

Education and Information

Education and Information Programs

The Education Program at the Commission has continued to expand during the fiscal year 2002/03. The goals of the education area are to continue to:

Increase public awareness about the existence and function of the Commission

Provide programming to meet the needs of the public and industry

Increase strategic partnerships with industry educational organizations

Establish ties with the media as a means of getting information to the public in a quick and unbiased manner

Work with other provincial regulators to increase investor knowledge on a national level

Keep abreast of programming by working with national and international regulators

The education department focuses its efforts on three main areas, education of the public, industry and Commission staff. In November 2003, the education department contracted the services of Deschenes Regnier to complete a gap analysis of the public, industry and staff. The result of this analysis is a communications plan that will guide and direct the activities of the education department over the next few years.

Public

The Commission continues to plan and organize various events such as Investor Education Month as well as other public initiatives. The Commission's education department worked on the following events for Investor Education Month in April 2002.

A panel discussion was delivered with representatives from the Commission, the Consumers Bureau and the RCMP. Spokespeople from these organizations discussed scams typically targeted at seniors. The Commission representative spoke about investment scams.

The Commission together with the Investment Dealers Association hosted a Lunch and Learn session that covered topics on The Importance of an Investment Adviser, Equities and the Genius of Time and How to Increase our Investment Income.

Commission staff presented the Junior Achievement course on Personal Economics to three high schools: Windsor Park Collegiate, Viscount Alexander and Elmwood High School. The course covered topics on budgeting, saving and investing.

The education department along with the education departments of securities commissions across the country supported three national events. A partnership was established with Scouts Canada to develop an investing crest. The crest was launched in April 2002. The second partnership with CBC Street Cents produced a four-minute television segment on On-line Investment Scams and was followed with a live on-line chat with Commission investigators. The third initiative was the development of a national seniors' brochure on Protecting Your Finances.

Provincial education initiatives that continued throughout the year were:

The Commission participated in the Special Area Group (SAG) teachers' professional development day. Two one-hour sessions were delivered dealing with resources that are available to those who teach saving and investing concepts.

The Commission continued to provide public presentations. This year, the Commission delivered presentations in Elkhorn, Stonewall, Winkler and Winnipeg.

The Commission continued to participate in trade shows. This year The Wedding Show was added and 400 information packages were distributed to participants.

For a second year, the Commission participated in a First Nations presentation.

The Hung Up on Fraud campaign organized by the RCMP was a success. A reverse boiler room was set up to help seniors understand the dangers of telephone scams and 300 information packages were distributed at this event.

The Commission sponsored Junior Achievement's World of Choices conference for young women. The event saw 200 young women from around the province take part in a daylong session on career planning and money management.

The Commission partnered with federal, provincial and city departments to develop a consumer tip calendar for distribution to Manitoba seniors.

Industry

A half-day industry dialogue session in Winnipeg was organized with guest speakers from the Investment Dealers Association and the Mutual Fund Dealers Association and covered topics important to industry professionals. The session hosted 200 attendees.

A half-day industry dialogue session in Brandon was organized. Industry participants learned about developments with the National Registration Database, Compensation for Financial Loss, Salesperson's Role in Serving Clients and Warning Signs of an Investment Scam. Approximately 70 individuals participated.

The Commission delivered an afternoon presentation to 60 individuals who were newly registered with the Commission. The presentation covered topics such as Commission Organization/Operations, Salesperson Expectations/responsibilities, Prohibited Activities, Compliance and the Complaint Process.

The Commission continued to provide presentations to industry participants. The Commission presented in Winnipeg, Brandon and Thompson.

Staff

In addition to educational programs developed for the public and industry, the education department organizes group educational opportunities designed to assist staff. This year staff benefited from the following courses:

A two-day workshop on project management. Eight professional staff attended the session. Components of project management are currently being practiced by Commission staff.

Lunch and Learn sessions were held every second month and alternated between internal education and staff health and wellness issues.

In addition, staff are encouraged to attend training sessions on an individual basis as needed to improve knowledge and skills necessary to complete their day to day work.

Overview

The Real Estate Division administers The Real Estate Brokers Act and The Mortgage Dealers Act. The Real Estate Division is responsible for: the registration of real estate brokers, mortgage dealers, and real estate and mortgage salespersons; investigation of complaints involving the alleged violation of the statutes; and providing public protection by raising and maintaining industry standards.

Education

The pre-licensing courses and exams for applicants are prescribed by the Commission and administered by The Manitoba Real Estate Association (MREA) under the direction of the Real Estate Division. Education standards are monitored by the Registrar who serves as a member of the MREA's Education and Examination Review Committees.

During 2002/03 there were 407 enrollments in the pre-licensing courses.

The Real Estate Division administered 20 examinations (two restricted salespersons, one property manager and 17 new home salespersons) during the year. There were 1,476 registrants that completed six hours of Mandatory Continuing Education (MCE2) which was titled Industry and Legal Update. This was the second year for the industry's continuing education course. Staff of the Commission lectured at each session of the course.

During the year the MREA and Commission staff continued to work together to upgrade pre-licensing courses. A property managers course was created with seven applicants registered in the course. The abridged course for broker applicants was finalized by the MREA and came into effect on January 1, 2003.

Registrations

The Commission registered 2,134 salespersons, authorized officials, real estate brokers and mortgage dealers in fiscal year 2002/03.

During the year numerous amendments involving name, address or corporate changes were processed under The Real Estate Brokers Act together with businesses re-organizing their affairs. In addition, 21 re-instatements and 137 salespersons transfers were processed.

Financial Filings and Compliance Audits

Commission staff review brokers' Annual Trust Account Reports, mortgage dealers' financial statements and Trust Compliance Reports filed with the Registrar and advise brokers and mortgage dealers on compliance with the trust accounting provisions of the statutes. The

compliance program consists of field audits and follow-up visits and provides information to professional accountants who prepare the statutory reports.

During the year staff reviewed 382 reports filed by brokers and dealers and 32 final reports for brokers who ceased their operations. The Commission suspended three brokers for failing to file their Annual Trust Account Report on time and prosecuted two brokers for this offence.

Investigation and Enforcement

The enforcement program addresses the following areas of investigation:

Investigation of complaints alleging infractions of the statutes and improper conduct

The background of applicants and conduct of registrants

Investigation of alleged unregistered trading

In addition to a number of verbal complaints and inquiries handled on a daily basis, there were 99 formal written complaints under investigation during 2002/03. The investigation of 34 of these complaints is still ongoing with the following outcome of the finalized complaints:

34 complaints were unsubstantiated or were resolved with the assistance of Commission staff

20 complaints resulted in a warning and/or a reprimand

Three complaints resulted in hearings

One registrant was prosecuted

Three complaints resulted in the Commission taking control of the broker's trust records and freezing the bank accounts and disbursing the balance to clients

Four complaints resulted in other action being taken

Legislation and Policy

Policy Development

Staff in the Real Estate Section enforce the Commission's real estate registration, education and general policies.

The Registrar serves on The Real Estate Advisory Council, a non-statutory body that advises and makes recommendations to the Commission and the Manitoba Real Estate Association on real estate issues. The Council consists of 10 members representing various stakeholders with the Registrar being the Commission's representative.

During 2002/03 the council dealt with the following issues:

Proposed amendments to The Real Estate Brokers Act

Developed changes to the statutory offer to purchase form

Established a task force to review the new home sales and The Real Estate Brokers Act exemption proposal

Development of business practice guidelines dealing with electronic forms

Trust Accounts

Interest on Brokers' Trust Accounts

The Commission receives interest earned on real estate brokers' trust accounts not claimed by clients. The Real Estate Advisory Committee established by the Regulations under The Real Estate Brokers Act recommends real estate related projects for funding from the interest the Commission receives. Funds that are not designated for projects are paid to the Minister of Finance on March 31 of every year.

The results of the program for 2002/03 are:

Receipts (in 000's)

Received	\$ 106
Paid Out:	
MREA Pre-licensing Education	\$ 67
Minister of Finance	\$ 39
Total	\$106

Unclaimed Trust Money

Section 26 of The Real Estate Brokers Act allows brokers to pay unclaimed trust money to the Commission to clear the funds. Trust money paid to the Commission is held in trust pending receipt of a claim by the rightful claimant. On March 31 of each year the balance in the Commission's account, less a reserve for refunds, is paid to the Minister of Finance.

Results of this program for 2002/03 are:

Receipts (in 000's) accounted for as follows

Received	\$ 49
Paid out	\$ 3
Minister of Finance	\$ 24
Held in account	\$ 22
Total	\$ 49

Overview

As of March 31, 2003, the Commission had the following internal systems in place:

Manitoba Securities Commission Information Systems (MSCIS)
Securities & Commodities Registration System (SCRS)
Real Estate information System (REIS)

The Commission also interfaces with and utilizes the following national CSA systems:

System for Electronic Data Analysis and Retrieval (SEDAR)
National CTO Database

These systems allow the Commission to receive and store pertinent information under The Securities Act, The Commodity Futures Act, The Real Estate Brokers Act and The Mortgage Dealers Act. Continued maintenance and development of these internal and external systems ensure daily operations run effectively and efficiently.

The Commission also uses Microsoft Great Plains Dynamics, an accounting and financial reporting software package.

The Commission has established a standing IT Committee that meets regularly to evaluate and prioritize the Commission's information systems requirements.

Management's Discussion and Analysis

The financial statements present the operating results of the Manitoba Securities Commission for the year ended March 31, 2003. The following comments provide an analysis of the Commission's operations and are to be read in conjunction with the audited financial statements.

Analysis of Operating Results

Net Income

Net income for the year was \$5.38 million, which was an increase of 11% from net income of \$4.82 million for the 2001/02 fiscal year. The Commission's revenue of \$8.58 million varied less than 1% from budgeted revenue of \$8.54 million, and expenses of \$3.20 million came in under budget by \$0.12 million. The net result, was net income exceeded budgeted income of \$5.22 million by 3% or \$0.16 million.

Revenue

Despite the continued uncertainty of the capital markets in North America, the Commission was able to meet its revenue targets. As compared to last year's total revenue of \$7.82 million, this year's revenue totaled \$8.58 million for an increase of 9.6% or \$0.75 million (see Table 1 for details). Filing and registration fees continue to be the Commission's primary source of revenue, contributing 88% of the total.

TABLE 1

Revenue (000's)	2003	% of Total	2002	% of Total	2003 % Increase/ (Decrease) From 2002
Filing Fees	\$ 4,312	50%	\$ 4,084	52%	6%
Registration Fees	3,217	38%	2,615	34%	23%
Annual Financial Statements	346	4%	311	4%	11%
Real Estate Fees	233	3%	246	3%	-5%
Investment Income	130	1%	164	2%	-21%
Other	338	4%	405	5%	-17%
	\$ 8,576	100%	\$ 7,825	100%	10%

Primary Revenue Sources

1. Filing Fees are made up of fees for new and renewal prospectus filings, prospectus amendments, annual information forms and rights offerings. An increase of 5% in filing fees

over the previous year, to \$4.3 million, was primarily due to an increase in the number of mutual funds filed.

2. Registration Fees, comprised of fees for registration of advisors, dealers, and salespersons, were \$3.2 million, 23% greater than the previous year. The main reason for this increase was a direct result of the National Registration Database (NRD) project, which ordered the renewal of all registrants to be December 31. This change meant the Commission would be collecting fees for mid year renewals, as well as, for the 2003 calendar year. Hence, abnormally high registration volumes and revenue, were received this fiscal year.

Expenses

Total expenses were slightly higher in 2002/03 over 2001/02 by \$0.2 million; 2003 - \$3.2 million; 2002 - \$3.0 million.

A summary of the fiscal year's expenses is presented in Table 2.

TABLE 2

Revenue (000's)	2003	% of Total	2002	% of Total	2003 % Increase/ (Decrease) From 2002
Salaries and Benefits	\$ 2,101	66%	\$ 1,927	64%	9%
Operating Expenses*	910	28%	889	30%	2%
Amortization	185	6%	181	6%	2%
Interest	0	0%	0	0%	0%
	\$ 3,195	100%	\$ 2,997	100%	7%

* - See Schedule of Operating Expenses in the Notes to the Financial Statements

Operating expense variances have been noted below:

As compared to the fiscal budget of \$2.19 million, salaries and benefits were \$94,000 below budget. However, a 9% increase occurred over the previous year's expense of \$1.92 million. Contributing to this increase are:

A negotiated wage increases of 2.3% and merit increases totaling \$62,000

Total severance and vacation pay out of \$84,000

Utilization of temporary staff to assist with implementation of NRD project \$26,000

Contract services increased by 22.5% or \$60,000 to accommodate the implementation and integration of the NRD database. This was offset by a \$43,000 or 51% decrease in CSA costs.

Capital Expenditures and Liabilities

For the 2002/03 fiscal year, no capital expenditures were budgeted for and no capital asset acquisitions were made.

As of March 31, 2003, accrued liabilities were \$6,000 compared to \$47,000 in fiscal 2002. Accrued vacation and severance liabilities were \$195,000 and \$164,000, respectively, as compared to \$159,000 and \$163,000 in the previous year.

Disposition of Surplus Operating Funds

The Commission made quarterly payments to the Province of Manitoba totaling \$5.5 million for its share of profit sharing. The payment amount is calculated annually and is included in the Commission's business plan as a disposition of surplus operating funds in the Statement of Retained Earnings.

Liquidity

Liquidity can be defined as an organization's ability to meet financial obligations as they come due. Liquidity management provides the certainty that funds will be available to honour all commitments and involves continuous forecasting and monitoring of expected cash flows. The Commission requires liquidity principally to finance its operations and capital expenditures. Its objective is to have sufficient funds available to maintain its operations, without impairment, should revenues decrease below expenses. As of March 31, 2003 the Commission had accumulated \$1 million in its reserve fund to accommodate any unforeseen changes in cash flows. These funds are invested with the Province of Manitoba Treasury Division and allows the Commission the flexibility to access these funds when needed.

Outlook 2003/2004

In the upcoming year, with an anticipated 10% decrease in market activity, the Commission will look to generate \$3.50 million in net income in 2003/04. This translates into budgeted revenue of \$6.89 million and expenses of \$3.39 million. With the Commission having no control over market conditions, budgeted revenues are subject to variability.

With the industry focus changing to more Web-based applications and online registrations, a \$90,000 capital expenditure has been budgeted for the consolidation of the Commission's two databases, MSCIS and SCRS. This will not only help increase operational efficiencies, but will provide the Commission with better information toward improving customer service.

Responsibility for Financial Reporting

The Commission's management is responsible for preparing the financial statements and other financial information in the annual report. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgments. The Commission's financial statements have been audited by BDO Dunwoody, independent external auditors.

The Commission maintains accounting and internal control systems to provide reasonable assurance that its financial information is reliable and accurate and that its assets are adequately protected.

The Commission's management meets regularly to review the financial statements and accounting practices. The auditors have free and full access to management if required to discuss results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

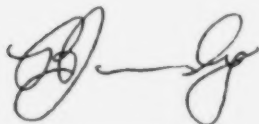
On behalf of management,



Donald G. Murray
Chair and C.E.O.



Robert B. Bouchard
Chief Administrative Officer



Roman Jaworsky
Controller

Auditors' Report

To The Special Operating Agencies Financing Authority:

We have audited the balance sheet of THE MANITOBA SECURITIES COMMISSION, An Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2003 and the statements of income, retained earnings, reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
Winnipeg, Manitoba
May 21, 2003

THE MANITOBA SECURITIES COMMISSION

Balance Sheet (in thousands) March 31	2003	2002
ASSETS - Current Assets		
Cash and short-term deposits (Note 2)	\$3,080	\$3,048
Accounts receivable (Note 3)	35	87
Prepaid expenses	25	30
	3,140	3,165
Restricted short-term deposits (Note 4)	1,000	905
Receivable from the Province of Manitoba (Note 5)	269	269
Capital assets (Note 6)	302	487
	\$4,711	\$4,826
LIABILITIES AND EQUITY - Current Liabilities		
Accrued liabilities	\$6	\$47
Accrued vacation entitlements (Note 7)	195	159
Accrued salaries and benefits	47	38
	248	244
SEVERANCE PAY LIABILITY (Note 8)	164	163
	412	407
COMMITMENTS (Note 9)		
RESERVE FUND (Note 10) (Page 5)	1,000	905
RETAINED EARNINGS (Page 5)	3,299	3,514
	4,299	4,419
	\$4,711	\$4,826

THE MANITOBA SECURITIES COMMISSION

Statement of Income (in thousands) For the year ended March 31	2003	2002
REVENUE		
Fees	\$8,442	\$7,654
Interest	130	164
Miscellaneous	4	7
	8,576	7,825
EXPENSES		
Salaries and benefits	2,101	1,927
Operating expenses (Page 11)	910	889
Amortization - capital assets	185	181
	3,196	2,997
NET EARNINGS FOR THE YEAR (Page 5)	\$5,380	\$4,828

Statement of Income (in thousands) For the year ended March 31	2003	2002
RETAINED EARNINGS, BEGINNING OF YEAR	\$3,514	\$4,421
Net earnings for the year (Page 4)	5,380	4,828
Disposition of surplus operating funds (Note 11)	(5,500)	(5,500)
Allocation to Reserve Fund	(95)	(235)
RETAINED EARNINGS, END OF YEAR (Page 3)	\$3,299	\$3,514

Statement of Reserver Fund (in thousands) For the year ended March 31	2003	2002
BALANCE, BEGINNING OF YEAR	\$905	\$670
Allocation from retained earnings	95	235
BALANCE, END OF YEAR (Page 3)	\$1,000	\$905

Statement of Cash Flow (in thousands) For the year ended March 31	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings for the year	\$5,380	\$4,828
Adjustment for Amortization - capital assets	185	181
	5,565	5,009
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	52	(61)
Prepaid expenses	5	(19)
Accounts payable	-	(163)
Accrued liabilities	(41)	18
Accrued vacation entitlements	36	(16)
Accrued salaries and benefits	9	(13)
Severance pay liability	1	(1)
	62	(255)
	5,627	4,754
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	-	(36)
Transfer to restricted short-term deposits	(95)	(235)
	(95)	(271)
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(5,500)	(5,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32	(1,017)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,048	4,065
CASH AND CASH EQUIVALENTS, END OF YEAR	\$3,080	\$3,048

Basis of Reporting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized over their estimated lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Revenue Recognition

Fees and cost recoveries are recognized when received. Investment income is recorded on the accrual basis.

Financial Instruments

The Commission's financial instruments consist of cash and short-term deposits, accounts receivable, restricted short-term deposits, amounts due from related parties, and accrued liabilities. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the The Manitoba Securities Commission as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a management agreement with respect to the Commission.

The Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to The Manitoba Securities Commission in delivering regulated services to clients.

2. Cash and Short-term Deposits

The Commission invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of thirty, sixty and ninety day callable term deposits.

3. Accounts Receivable

	2003	2002
Accrued interest	\$ 9	\$ 5
Employee computer purchases	-	1
Trade	26	81
	\$35	\$87

4. Restricted Short-term Deposits

The Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 10).

5. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation and severance pay entitlement earned by employees of the Commission prior to creation of the SOA as at April 1, 1999. This receivable, or portion thereof for the Commission, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of the Commission.

6. Capital Assets

	2003		2002	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$26	\$10	\$26	\$5
Furniture and fixtures	124	61	124	36
Leasehold improvements	113	34	113	23
Computer hardware	117	93	117	70
Computer software	603	483	603	362
	\$983	\$681	\$983	\$496
Cost less accumulated amortization		\$302		\$487

7. Accrued Vacation Entitlements

The Commission follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1999. The liability at this date is offset by a receivable from the Province and was \$117 as at March 31, 1999. Any subsequent changes to the entitlement are reflected as a current year expense to the Commission. As at March 31, 2003 there was an increase to the entitlement in the amount of \$36. The accrued vacation entitlement was \$195 as of March 31, 2003 (2002 - \$159).

8. Severance Pay Liability

Effective April 1, 1999, the Commission began recording accumulated severance pay benefits for its employees. The estimate of the liability at that time was based on an actuarial valuation report.

The Province has accepted responsibility for the severance benefits accumulated by the Commission's employees to March 31, 1999. Accordingly, the opening severance pay liability balance as at April 1, 1999 calculated at \$152 was completely offset by a receivable from the Province.

The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Commission's actuarial liability has been calculated to be \$164 as at March 31, 2003 (2002 - \$163).

9. Lease Commitment

The Commission has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 405 Broadway. Occupancy charges for the year ended March 31, 2003 were \$140.

10. Reserve Fund

The Commission has established a Reserve Fund to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature, and for changes in market activity that have an effect on revenues. The intent is to fund the reserve, through an annual charge to retained earnings, over four years, until the Fund reaches an accumulated balance of \$1 million. As at March 31, 2003, this accumulated balance has been realized.

11. Disposition of Surplus Operating Funds

The disposition of surplus operating funds consists of payments made to the Consolidated Revenue Fund of the Province of Manitoba according to Treasury Board Directives.

THE MANITOBA SECURITIES COMMISSION

Schedule of Operating Expense (in thousands) For the year ended March 31

	2003	%	2002	%
Contract services	\$332	37	\$271	30
Premises	140	15	119	13
Office materials and supplies	88	10	105	12
Professional services	87	10	87	10
Travel	66	7	62	7
Telecommunications	59	6	54	6
CSA initiatives	41	5	84	9
Research resources	30	3	26	3
Education/Information initiatives	26	3	18	2
Staff development	18	2	33	4
Miscellaneous	13	1	23	3
Professional membership and dues	10	1	7	1
	\$910	100	\$889	100

Schedule of Public Sector Compensation Disclosure (in thousands) For the year ended March 31

Employee	Title	Compensation
Don Murray	Chairman & CEO	\$ 117
Bob Bouchard	CAO & Director of Capital Markets	86
Doug Brown	Director of Legal & Enforcement & Secretary to the Commission	97
Jim Storsley	Registrar - Real Estate	117
Glen Lillies	Compliance Officer	53
Chris Besko	Assistant Legal Counsel	77
Kim Laycock	Assistant Legal Counsel	77
Steven Gingera	Assistant Legal Counsel	70
Roman Jaworsky	Controller	52
Wayne Bridgeman	Senior Analyst	52
William Baluk	Deputy Registrar - Compliance	52
Chris Kowalski	Deputy Registrar - Real Estate	52
Jan Banasiak	Investigator	60
Marc Boily	Investigator	75
Jason Roy	Investigator	52
Isilda Tavares	Registration Officer	52

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds \$50 per annum.



THE MANITOBA
SECURITIES
COMMISSION

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